

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 DRC-01 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-*5 HEW-08 AID-20 COME-00 EB-11 FRB-02

TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01

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FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 7021

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TAGS: EFIN, CI

SUBJECT: 1974 CENTRAL GOVERNMENT BUDGET

REF: SANTIAGO 6236

1. JANUARY 2 EDITION OF DIARIO OFICIAL CONTAINS 1974 CENTRAL GOVERNMENT BUDGET. BUDGET HAS ESTIMATED EXPENSES OF 1,300 BILLION ESCUDOS, REVENUES OF 1,100 BILLION ESCUDOS, AND DEFICIT OF ALMOST 200 BILLION ESCUDOS (15 PERCENT OF ESCUDO EXPENSES). IN DOLLAR PORTION OF 1974 BUDGET PLANNED EXPENDITURES ARE \$376 MILLION, MOST OF WHICH WILL BE COVERED BY CENTRAL BANK FX RESERVES OR FOREIGN FINANCING. MINISTER OF FINANCE AUTHORIZED TO CONTRACT FOREIGN CREDITS UP TO \$180 MILLION. FOR 174 BUDGET PURPOSES CONVERSION RATE FOR DOLLARS INTO ESCUDOS IS E. 360 EQUALS ONE DOLLAR.

2. MINISTER OF FINANCE GATUZZO CALLED 1974 BUDGET QUOTE AUSTERE AND RATIONAL UNQUOTE. HE EMPHASIZED RELATIVELY SMALL PERCENTAGE OF PLANNED DEFICIT FINANCING COMPARED TO 1973 WHEN OVER 50 PERCENT OF 300 BILLION ESCUDOS SPENT WAS DEFICIT. GOTUZZO NOTED 34 PERCENT OF 1974 BUDGET EXPENDITURES WILL BE DEVOTED TO PUBLIC INVESTMENT COMPARED UNCLASSIFIED UNCLASSIFIED

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TO 24 PERCENT IN 1973. ACCORDING GOTUZZO, MANY CURRENT EXPENSES ARE BEING CUT SHARPLY, BUT THERE WILL BE INCREASES

FOR EDUCATION, HEALTH AND MINISTRY OF INTERIOR PROGRAM TO PROVIDE BASIC SERVICES TO LOW INCOME NEIGHBORHOODS. GOTUZZO SAID THAT, AS PART OF EFFORT TO RATIONALIZE PUBLIC ADMINISTRATION, NO 1974 FUNDS WILL BE AUTHORIZED FOR NEW VEHICLES TO PUBLIC SERVICES, WHICH ALSO WILL NOW BE SUBJECT TO STATE PROVISIONING AGENCY RESPONSIBLE FOR BETTER DISTRIBUTION OF PRESENT VEHICLES. HE ALSO SAID THAT 1974 BUDGET REFLECTS GOVERNMENT'S NEW WAGE AND SALARY POLICY WITH UNIFIED CIVIL SERVICE OF 35 GRADES (REFTEL).

3. COMMENT: 1974 BUDGET IS NOT AS AUSTERE AS IMF HAD EXPECTED. ESCUDO EXPENSES, PARTICULARLY IN MINISTRIES OF FINANCE AND PUBLIC WORKS, ARE SUBSTANTIAL, WHILE TOTAL DEFICIT (ALMOST 14 PERCENT OF EXPENDITURES) IS LARGER THAN 6 PERCENT RECOMMENDED BY IMF. HOWEVER, REVENUE PICTURE WILL BE MUCH IMPROVED OVER 1973 BECAUSE OF EXPECTED CENTRAL BANK EXCHANGE RATE EARNINGS FROM COPPER EXPORTS AND RECENT TAX CHANGES (TO BE REPORTED SEPARATELY). AS IS CUSTOMARY, ACTUAL EXPENDITURES WILL PROBABLY BE HIGHER IN 1974 THAN PLANNED, BUT BUDGET APPEARS FAIRLY REALISTIC, PARTICULARLY IN COMPARISON TO LAST YEAR WHEN 1973 CENTRAL GOVERNMENT EXPENSES WERE OVER TWICE THOSE ORIGINALLY ESTIMATED. FURTHER DETAILS AND ANALYSIS WILL FOLLOW BY AIRGRAM.
THOMPSON

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